

## PROSPECTUS

*April 29, 2011*

# GABELLI CAPITAL ASSET FUND

**The Securities and Exchange Commission has not approved or disapproved the shares described in this Prospectus or determined whether this Prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

## SUMMARY

### **Investment Objectives:**

The Fund's primary goal is to seek growth of capital. The Fund's secondary goal is to produce current income.

### **Fees and Expenses of the Fund:**

This table describes the fees and expenses that you may pay if you buy and hold shares of the Fund. Fee and expense information does not reflect separate account or variable insurance contract fees and charges. If such fees and charges were reflected, fees and expenses would be higher than those shown.

### **Shareholder Fees (fees paid directly from your investment):**

There are no Shareholder Fees.

### **Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment):**

Management Fees . . . . .	1.00%
Other Expenses . . . . .	.18%
Total Annual Fund Operating Expenses . . . . .	<u>1.18%</u>

### **Expense Example**

This example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

The example assumes you invest \$10,000 in the Fund for the time periods shown and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>
\$120	\$375	\$649	\$1,432

### **Portfolio Turnover**

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when the Fund's shares are held in a taxable account. During the most recent fiscal year, the Fund's portfolio turnover rate was 10% of the average value of its portfolio.

### **Principal Investment Strategies**

The Fund invests primarily in equity securities of companies (common stock, preferred stock, and securities that may be converted at a later time into common stock) that are selling in the public market at a significant discount to their "private market value." Private market value is the value that the Fund's adviser, Gabelli Funds, LLC (the "Adviser"), believes informed investors would be willing to pay for a company. The Adviser considers factors such as price, earnings expectations, earnings and price histories, balance sheet characteristics, and perceived management skills. The Adviser also considers changes in economic and political outlooks as well as individual corporate developments. The Adviser will sell any Fund investments that lose their perceived value when compared with other investment alternatives.

Holders of equity securities only have rights to value in the issuer after all issuer debts have been paid, and they could lose their entire investment in a company that encounters financial difficulty. The Fund may also buy warrants, which are rights to purchase securities at a specified time at a specified price.

The Fund may also use the following investment techniques:

- **Corporate Reorganizations.** Subject to the diversification requirements of its investment restrictions, the Fund may invest up to 35% of its total assets in securities for which a tender or exchange offer has been made or announced and in the securities of companies for which a merger, consolidation, liquidation, or similar reorganization proposal has been announced. The Adviser will only invest in such securities if it is likely that the amount of capital appreciation will be significantly greater than the added expenses of buying and selling securities on a short-term basis. The 35% limitation does not apply to the securities of companies that may be involved in simply consummating an approved or agreed upon merger, acquisition, consolidation, liquidation, or reorganization.
- **Foreign Securities.** The Fund may invest up to 25% of its total assets in the securities of non-U.S. issuers.

### ***Principal Risks***

**You May Want to Invest in the Fund if:**

- you are a long-term investor;
- you seek both growth of capital and some current income;
- you believe that the market will favor value over growth stocks over the long term; and
- you wish to include a value strategy as a portion of your overall investments.

The Fund's share price will fluctuate with changes in the market value of the Fund's portfolio securities. Stocks are subject to market, economic, and business risks that cause their prices to fluctuate. Corporate reorganizations involve the risk that the anticipated transactions may not be completed within the anticipated time or upon the expected terms, in which case the Fund may suffer a loss on its investments. Investments in foreign securities involve risks related to political, social, and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and foreign issuers and markets are subject. When you sell Fund shares, they may be worth less than what you paid for them. Consequently, you can lose money by investing in the Fund. The Fund is also subject to the risk that the portfolio securities' private market values may never be realized by the market, or their prices may go down.

Investing in the Fund involves the following risks:

- **Market Risk.** The principal risk of investing in the Fund is market risk. Market risk is the risk that the prices of the securities held by the Fund will change due to general market and economic conditions, perceptions regarding the industries in which the companies issuing the securities participate, and the issuer company's particular circumstances. These fluctuations may cause a security to be worth less than it was worth at an earlier time when purchased by the Fund.
- **Fund and Management Risk.** The Fund invests in stocks believed by the Adviser to be trading at a discount to their private market value (value stocks). The stocks' prices may decline if the market favors other stocks. If the Adviser is incorrect in its assessment of the private market values of the securities it holds, then the value of the Fund's shares may decline.
- **Risk of Focusing on Corporate Reorganizations.** The Fund may invest a portion of its assets in securities of companies that are

involved or may become involved in corporate transactions such as tender offers and corporate reorganizations. The principal risk of this type of investing is that the anticipated transactions may not be completed at the anticipated time or upon the expected terms, in which case the Fund may suffer a loss on its investments. In addition, many companies over the past several years have adopted so-called “poison pill” and other defensive measures. This may limit tender offers or other non-negotiated offers for a company and/or prevent competing offers. Such measures may also limit the amount of securities in any one issuer that the Fund may buy.

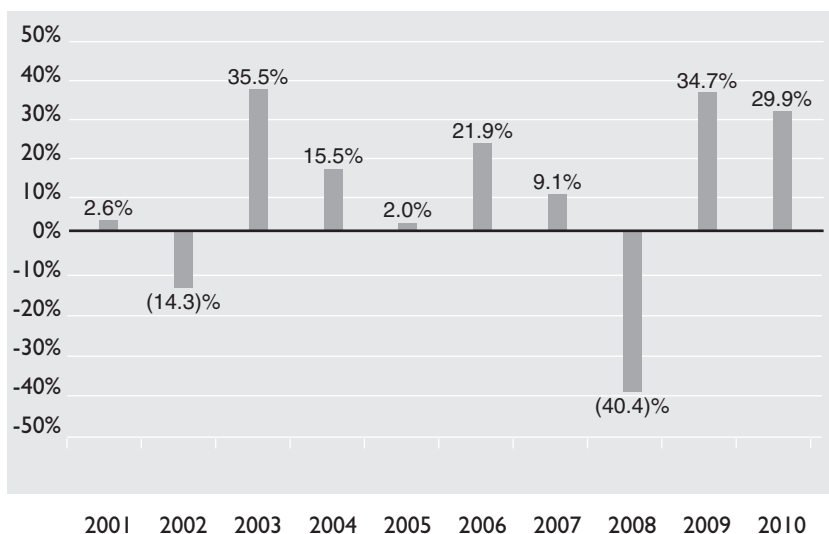
- **Foreign Risk.** Investments in foreign securities involve risks relating to political, social, and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and foreign issuers and markets are subject:
  - These risks may include the seizure by the government of company assets, excessive taxation, withholding taxes on dividends and interest, limitations on the use or transfer of portfolio assets, and political or social instability.
  - Enforcing legal rights in foreign countries may be difficult, costly and slow, and there may be special problems enforcing claims against foreign governments or companies.
  - Foreign companies may not be subject to accounting standards or governmental supervision comparable to U.S. companies, and there may be less public information about their operations.
  - Foreign markets may be less liquid and more volatile than U.S. markets.
  - Foreign securities often trade in currencies other than the U.S. dollar, and the Fund may directly hold foreign currencies and purchase and sell foreign currencies. Changes in currency exchange rates will affect the Fund’s net asset value, the value of unpaid dividends and interest earned, and gains and losses realized on the sale of securities. An increase in the strength of the U.S. dollar relative to these other currencies may cause the value of the Fund to decline. Certain foreign currencies may be particularly volatile, and foreign governments may intervene in the currency markets, causing a decline in value or liquidity of the Fund’s foreign currency holdings.
  - Costs of buying, selling, and holding foreign securities, including brokerage, tax, and custody costs, may be higher than those involved in domestic transactions.
  - There is the risk that some countries may restrict the Fund’s access to investments or offer terms that are less advantageous than those for local investors. This could limit the attractive investment opportunities available to the Fund.
- **Large-Capitalization Risk.** Larger, more established companies may be unable to respond quickly to new competitive challenges such as changes in technology and consumer tastes. Many larger companies also may not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion.

- **Small and Mid-Capitalization Risk.** Risk is greater for the securities of small- and mid-capitalization companies (including small unseasoned companies that have been in operation less than three years) because they generally are more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources. The securities of small- and mid-capitalization companies also may trade less frequently and in smaller volume than larger companies. As a result, the value of such securities may be more volatile than the securities of larger companies, and the Fund may experience difficulty in purchasing or selling such securities at the desired time and price.
- **Interest Rate Risk and Credit Risk.** Investments in preferred stock and securities convertible into or exchangeable for common or preferred stock involve interest rate risk and credit risk. When interest rates decline, the value of such securities generally rises. Conversely, when interest rates rise, the value of such securities generally declines. It is also possible that the issuer of a security will not be able to make interest and principal payments when due.
- **Credit Quality Risk.** Lower rated convertible securities are subject to greater credit risk, greater price volatility, and a greater risk of loss than investment grade securities. There may be less of a market for lower rated convertible securities, which could make it harder to sell them at an acceptable price.
- **Warrant Risk.** Investing in warrants can provide a greater potential for profit or loss than an equivalent investment in the underlying security, and thus can be a speculative investment. The value of a warrant may decline because of a decline in the value of the underlying security, the passage of time, changes in interest rates or in the dividend or other policies of the company whose equity underlies the warrant or a change in the perception as to the future price of the underlying security, or any combination thereof.
- **Pre-Payment Risk.** The Fund may experience losses when an issuer exercises its right to pay principal on an obligation held by the Fund (such as a convertible security) earlier than expected. This may happen during a period of declining interest rates. Under these circumstances, the Fund may be unable to recoup all of its initial investment and will suffer from having to invest in lower yielding securities. The loss of higher yielding securities and the reinvestment at lower interest rates can reduce the Fund's income, total return, and share price.

### **Performance**

The bar chart and table that follow provide an indication of the risks of investing in the Fund by showing changes in the Fund's performance from year to year, and by showing how the Fund's average annual returns for one year, five years, and ten years compare with those of a broad-based securities market index. As with all mutual funds, the Fund's past performance does not predict how the Fund will perform in the future.

**GABELLI CAPITAL ASSET FUND**  
(for the Periods Ended December 31)



Performance information does not reflect separate account or variable insurance contract fees and charges. If such fees and charges were reflected, the Fund's returns would be lower than those shown. During the periods shown in the bar chart, the highest return for a quarter was 22.3% (quarter ended June 30, 2009) and the lowest return for a quarter was (24.3)% (quarter ended December 31, 2008).

<b>Average Annual Total Returns (for the periods ended December 31, 2010)</b>	<b>Past One Year</b>	<b>Past Five Years</b>	<b>Past Ten Years</b>
Gabelli Capital Asset Fund	29.89%	6.76%	6.89%
S&P® 500 Index (reflects no deduction for fees, expenses or taxes)	15.08%	2.29%	1.42%

**Management**

**The Manager.** Guardian Investor Services LLC supervises the performance of administrative and professional services provided to the Fund by others.

**The Adviser.** Gabelli Funds, LLC serves as the Adviser to the Fund.

**The Portfolio Manager.** Mr. Mario J. Gabelli, Chairman, CFA, Chief Investment Officer — Value Portfolios of the Adviser has served as Portfolio Manager of the Fund since its inception on May 1, 1995.

**Purchase and Sale of Fund Shares**

You may invest in the Fund only by purchasing certain variable annuity and variable insurance contracts ("Contracts") issued by the Insurance Companies. The Fund continuously offers its shares to the Insurance Companies' separate accounts at the net asset value per share ("NAV") next determined after a proper purchase request has been received by the Insurance Companies. The Insurance Companies then offer to owners of the Contracts ("Contractowners") units in separate accounts which directly correspond to shares in the Fund. The Insurance

Companies submit purchase and redemption orders to the Fund based on allocation instructions for premium payments, transfer instructions, and surrender or partial withdrawal requests which are furnished to the Insurance Companies by such Contractowners. The Fund redeems shares from the Insurance Companies' separate accounts at the NAV next determined after receipt of a redemption order from the Insurance Companies.

Because the Fund's shares are offered exclusively to insurance company separate accounts that fund certain insurance contracts, the Fund is dependent on the rights, ability, and willingness of these participating insurance companies to limit frequent trading in Fund shares.

#### **Tax Information**

The Fund's distributions will generally be taxable as ordinary income or long-term capital gains to shareholders who are holding the shares in a taxable account. Distributions made by the Fund to an insurance company separate account, and exchanges and redemptions of Fund shares made by a separate account, ordinarily do not cause the corresponding contract owners to recognize income or gain for federal income tax purposes. For more information, turn to "Dividends, Distributions, and Taxes."

### **INVESTMENT OBJECTIVES, INVESTMENT STRATEGIES, AND RELATED RISKS**

#### **Investment Objectives:**

The primary investment objective of the Fund is growth of capital, and current income is a secondary objective. The investment objectives of the Fund may not be changed without shareholder approval.

#### **Implementation of Investment Objectives:**

The Fund's assets will be invested primarily in a broad range of readily marketable equity securities of: common stock, preferred stock, and securities that may be converted at a later time into common stock, that are selling in the public market at a significant discount to their "private market value." Private market value is the value that the Fund's Adviser believes informed investors would be willing to pay for a company. The Adviser considers factors such as price, earnings expectations, earnings and price histories, balance sheet characteristics, and perceived management skills. The Adviser also considers changes in economic and political outlooks as well as individual corporate developments. The Adviser will sell any Fund investments that lose their perceived value when compared with other investment alternatives. Holders of equity securities only have rights to value in the issuer after all issuer debts have been paid, and they could lose their entire investment in a company that encounters financial difficulty. The Fund may also buy warrants, which are rights to purchase securities at a specified time at a specified price.

The Fund may also use the following investment techniques:

- **Defensive Investments.** When adverse market or economic conditions occur, the Fund may temporarily invest all or a portion of its assets in defensive investments. Such investments include high grade debt securities, obligations of the U.S. government and its agencies and instrumentalities, and high quality short-term money market instruments. When following a defensive strategy, the Fund will be less likely to achieve its investment goal.

- **Corporate Reorganizations.** Subject to the diversification requirements of its investment restrictions, the Fund may invest up to 35% of its total assets in securities for which a tender or exchange offer has been made or announced and in the securities of companies for which a merger, consolidation, liquidation, or similar reorganization proposal has been announced. The Adviser will only invest in such securities if it is likely that the amount of capital appreciation will be significantly greater than the added expenses of buying and selling securities on a short-term basis. The 35% limitation does not apply to the securities of companies that may be involved in simply consummating an approved or agreed upon merger, acquisition, consolidation, liquidation, or reorganization.
- **Foreign Securities.** The Fund may invest up to 25% of its total assets in the securities (common stock, preferred stock, and securities that may be converted at a later time into common stock) of non-U.S. issuers.

The Fund may also engage in other investment practices in order to achieve its investment objectives. These are discussed in the Statement of Additional Information (“SAI”), which may be obtained by calling 800-Gabelli (800-422-3554), or your broker.

Investing in the Fund involves the following risks:

- **Market Risk.** The principal risk of investing in the Fund is market risk. Market risk is the risk that the prices of the securities held by the Fund will change due to general market and economic conditions, perceptions regarding the industries in which the companies issuing the securities participate, and the issuer company’s particular circumstances. These fluctuations may cause a security to be worth less than it was worth at an earlier time when purchased by the Fund.
- **Fund and Management Risk.** The Fund invests in stocks believed by the Adviser to be trading at a discount to their private market value (value stocks). The stocks’ prices may decline if the market favors other stocks. If the Adviser is incorrect in its assessment of the private market values of the securities it holds, then the value of the Fund’s shares may decline.
- **Risk of Focusing on Corporate Reorganizations.** The Fund may invest a portion of its assets in securities of companies that are involved or may become involved in corporate transactions such as tender offers and corporate reorganizations. The principal risk of this type of investing is that the anticipated transactions may not be completed at the anticipated time or upon the expected terms, in which case the Fund may suffer a loss on its investments. In addition, many companies over the past several years have adopted so-called “poison pill” and other defensive measures. This may limit tender offers or other non-negotiated offers for a company and/or prevent competing offers. Such measures may also limit the amount of securities in any one issuer that the Fund may buy.
- **Foreign Risk.** Investments in foreign securities involve risks relating to political, social, and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and foreign issuers and markets are subject:
  - These risks may include the seizure by the government of company assets, excessive taxation, withholding taxes on dividends and interest, limitations on the use or transfer of portfolio assets, and political or social instability.

- Enforcing legal rights in foreign countries may be difficult, costly and slow, and there may be special problems enforcing claims against foreign governments or companies.
- Foreign companies may not be subject to accounting standards or governmental supervision comparable to U.S. companies, and there may be less public information about their operations.
- Foreign markets may be less liquid and more volatile than U.S. markets.
- Foreign securities often trade in currencies other than the U.S. dollar, and the Fund may directly hold foreign currencies and purchase and sell foreign currencies. Changes in currency exchange rates will affect the Fund's net asset value, the value of unpaid dividends and interest earned, and gains and losses realized on the sale of securities. An increase in the strength of the U.S. dollar relative to these other currencies may cause the value of the Fund to decline. Certain foreign currencies may be particularly volatile, and foreign governments may intervene in the currency markets, causing a decline in value or liquidity of the Fund's foreign currency holdings.
- Costs of buying, selling, and holding foreign securities, including brokerage, tax, and custody costs, may be higher than those involved in domestic transactions.
- There is the risk that some countries may restrict the Fund's access to investments or offer terms that are less advantageous than those for local investors. This could limit the attractive investment opportunities available to the Fund.
- **Large-Capitalization Risk.** Larger, more established companies may be unable to respond quickly to new competitive challenges such as changes in technology and consumer tastes. Many larger companies also may not be able to attain the high growth rate of successful smaller companies, especially during extended periods of economic expansion.
- **Small and Mid-Capitalization Risk.** Risk is greater for the securities of small- and mid-capitalization companies (including small unseasoned companies that have been in operation less than three years) because they generally are more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources. The securities of small- and mid-capitalization companies also may trade less frequently and in smaller volume than larger companies. As a result, the value of such securities may be more volatile than the securities of larger companies, and the Fund may experience difficulty in purchasing or selling such securities at the desired time and price.
- **Interest Rate Risk and Credit Risk.** Investments in preferred stock and securities convertible into or exchangeable for common or preferred stock involve interest rate risk and credit risk. When interest rates decline, the value of such securities generally rises. Conversely, when interest rates rise, the value of such securities generally declines. The magnitude of the decline will be greater for longer-term debt securities than shorter-term debt securities. It is also possible that the issuer of a security will not be able to make interest and principal payments when due. Changes in an issuer's credit rating or

the market's perception of an issuer's credit worthiness may also affect the value of the Fund's investment in that issuer.

- **Credit Quality Risk.** Lower rated convertible securities are subject to greater credit risk, greater price volatility, and a greater risk of loss than investment grade securities. There may be less of a market for lower rated convertible securities, which could make it harder to sell them at an acceptable price.
- **Warrant Risk.** Investing in warrants can provide a greater potential for profit or loss than an equivalent investment in the underlying security, and thus can be a speculative investment. The value of a warrant may decline because of a decline in the value of the underlying security, the passage of time, changes in interest rates or in the dividend or other policies of the company whose equity underlies the warrant or a change in the perception as to the future price of the underlying security, or any combination thereof.
- **Pre-Payment Risk.** The Fund may experience losses when an issuer exercises its right to pay principal on an obligation held by the Fund (such as a convertible security) earlier than expected. This may happen during a period of declining interest rates. Under these circumstances, the Fund may be unable to recoup all of its initial investment and will suffer from having to invest in lower yielding securities. The loss of higher yielding securities and the reinvestment at lower interest rates can reduce the Fund's income, total return, and share price.

**Portfolio Holdings.** A description of the Fund's policies and procedures with respect to the disclosure of the Fund's portfolio securities is available in the Fund's SAI.

## MANAGEMENT OF THE FUND

**The Manager.** Guardian Investor Services LLC (the "Manager"), located at 7 Hanover Square, New York, New York 10004, supervises the performance of administrative and professional services provided to the Fund by others, including the Adviser and BNY Mellon Investment Servicing (US) Inc., the sub-administrator of the Fund (the "Sub-Administrator"). The Manager also pays the fees of the Adviser. The Manager and its majority-owned subsidiary provide investment advisory services to 36 funds with aggregate assets of over \$18.9 billion as of March 31, 2011.

As compensation for its services and the related expenses borne by the Manager, for the fiscal year ended December 31, 2010, the Fund paid the Manager a fee equal to 1.00% of the value of the Fund's average daily net assets.

The Company, the Manager, The Guardian Insurance & Annuity Company, Inc. ("GIAC"), the Adviser, and the Fund's distributor have entered into a participation agreement regarding the offering of the Fund's shares as an investment option for variable annuity and variable life contracts issued by GIAC. In addition, the Company, the Adviser, and the Fund's distributor have entered into separate participation agreements with other insurance companies relating to the Fund's shares as investment options for other variable annuity and variable life contracts.

**The Adviser.** Pursuant to an Investment Advisory Agreement among the Fund, the Manager, and the Adviser, the Adviser, with its principal offices located at One Corporate Center, Rye, New York 10580-1422, manages the Fund's assets in accordance with the Fund's investment objectives and policies. The Adviser makes investment decisions for the

Fund, places purchase and sale orders on behalf of the Fund, and provides investment research. The Adviser also supervises the performance of administrative and professional services provided by others and pays the compensation of the Sub-Administrator and all officers and directors of the Fund who are its affiliates. The Adviser also manages several other open-end and closed-end investment companies in the Gabelli/GAMCO family of funds. The Adviser is a New York limited liability company organized in 1999 as successor to GGCP, Inc., a New York corporation organized in 1980. The Adviser is a wholly owned subsidiary of GAMCO Investors, Inc. ("GBL"), a publicly held company listed on the New York Stock Exchange ("NYSE").

As compensation for its services and the related expenses borne by the Adviser, for the fiscal year ended December 31, 2010, the Manager paid the Adviser an annual fee equal to 0.75% of the value of the Fund's average daily net assets.

**Regulatory Matters.** On April 24, 2008, an affiliate of the Adviser entered into a settlement with the Securities and Exchange Commission ("SEC") to resolve an inquiry regarding prior frequent trading activity in shares of the GAMCO Global Growth Fund (the "Global Growth Fund") by one investor who was banned from the Global Growth Fund in August 2002. In the administrative settlement order, the SEC found that the Adviser had willfully violated Section 206(2) of the Investment Advisers Act of 1940, as amended, Section 17(d) of the Investment Company Act of 1940, as amended, (the "1940 Act"), and Rule 17d-1 thereunder, and had willfully aided and abetted and caused violations of Section 12(d)(1)(B)(i) of the 1940 Act. Under the terms of the settlement, the Adviser, while neither admitting nor denying the SEC's findings and allegations, paid \$16 million (which included a \$5 million civil monetary penalty), approximately \$12.8 million of which is in the process of being paid to shareholders of the Global Growth Fund in accordance with a plan developed by an independent distribution consultant and approved by the independent directors of the Global Growth Fund and acceptable to the staff of the SEC, and agreed to cease and desist from future violations of the above referenced federal securities laws and rule. The SEC order also noted the cooperation that the Adviser had given the staff of the SEC during its inquiry. The settlement did not have a material adverse impact on the Adviser. On the same day, the SEC filed a civil action against the Executive Vice President and Chief Operating Officer of the Adviser, alleging violations of certain federal securities laws arising from the same matter. The officer is also an officer of the Fund, the Global Growth Fund, and other funds in the Gabelli/GAMCO fund complex. The officer denied the allegations and is continuing in his positions with the Adviser and the Fund. The court dismissed certain claims and found that the SEC was not entitled to pursue various remedies against the officer while leaving one remedy in the event the SEC were able to prove violations of law. The court subsequently dismissed without prejudice the remaining remedy against the officer, which allowed the SEC to appeal the court's rulings. On October 29, 2010, the SEC filed its appeal with the U.S. Court of Appeals for the Second Circuit regarding the lower court's orders. The Adviser currently expects that any resolution of the action against the officer will not have a material adverse impact on the Adviser.

The Fund's semi-annual report to shareholders for the period ended June 30, 2010, contains a discussion of the basis of the Board of Directors' (the "Board") determination to continue the management agreements with the Adviser and the Manager as discussed above and

the Fund's semi-annual report to shareholders for the period ending June 30, 2011 will contain a discussion of the basis of the Board's February 2011 determination to continue such management agreements.

**The Portfolio Manager.** Mr. Mario J. Gabelli, CFA, is responsible for the day-to-day management of the Fund. Mr. Gabelli has been Chief Investment Officer - Value Portfolios of the Adviser and its predecessor since inception. Mr. Gabelli is Chairman and Chief Executive Officer of GBL, Chief Investment Officer - Value Portfolios of GAMCO Asset Management Inc., another wholly owned subsidiary of GBL, Chief Executive Officer and Chief Investment Officer of GGCP, Inc. and is an officer or director of other companies affiliated with GBL. The Adviser relies to a considerable extent on the expertise of Mr. Gabelli, who may be difficult to replace in the event of his death, disability, or resignation.

The Fund's SAI provides additional information about Mr. Gabelli's compensation, other accounts managed by him, and his ownership of securities in the funds he manages.

#### **INDEX DESCRIPTION**

The **S&P® 500 Index** is a widely recognized, unmanaged index of common stock prices. The Index figures do not include any deduction for fees, expenses, or taxes. You cannot invest directly in the S&P® 500 Index.

#### **PURCHASE AND REDEMPTION OF SHARES**

You may invest in the Fund only by purchasing certain Contracts issued by the Insurance Companies. The Fund continuously offers its shares to the Insurance Companies' separate accounts at NAV next determined after a proper purchase request has been received by the Insurance Companies. The Insurance Companies then offer to Contractowners units in separate accounts which directly correspond to shares in the Fund. The Insurance Companies submit purchase and redemption orders to the Fund based on allocation instructions for premium payments, transfer instructions, and surrender or partial withdrawal requests which are furnished to the Insurance Companies by such Contractowners. The Fund redeems shares from the Insurance Companies' separate accounts at the NAV next determined after receipt of a redemption order from the Insurance Companies.

Because the Fund's shares are offered exclusively to insurance company separate accounts that fund certain insurance contracts, the Fund is dependent on the rights, ability, and willingness of these participating insurance companies to limit frequent trading in Fund shares.

A summary of the policies followed by GIAC to limit frequent trading, as stated in the current prospectuses for the variable contracts offered by GIAC, follows. GIAC contractowners will be informed of material updates to these policies by GIAC as necessary. Other insurance company separate accounts that offer Fund shares to their Contractowners are required to adopt policies with respect to frequent trading, as described in the prospectus for those contracts.

If transfer activity violates GIAC's established parameters, GIAC will apply restrictions that it reasonably believes will prevent any harm to other Contractowners, and may apply the restrictions to contracts it believes to be related. The restriction that GIAC currently applies is to limit the number of transfers to not more than once every thirty days. Restrictions that GIAC may impose include limiting the frequency of

transfers, imposing fees on transfers in excess of a specified number, limiting or restricting electronic or telephone transaction privileges, or refusing a transaction request believed to have a harmful effect. These restrictions may be changed at any time and without prior notice. GIAC will not grant waivers from or make exceptions to these restrictions. However, the limits and restrictions are subject to GIAC's ability to monitor transfer activity, which may be limited by operational and technological systems, as well as by its ability to predict strategies employed by Contractowners to avoid detection. As a result, despite GIAC's efforts to prevent frequent transfers, there can be no assurance that it will be able to detect and/or deter frequent transfers, and consequently, there can be no assurance that excessive trading in Fund shares will not occur. As a result, some Contractowners may be able to engage in market timing while other Contractowners are harmed by such activity.

The Fund reserves the right to reject a purchase order for any reason with or without prior notice to the insurance company separate account. In particular, the Fund reserves the right to reject a purchase order from any insurance company separate account that in its opinion has not taken effective steps to detect and prevent frequent purchases and sales of Fund shares.

**Customer Identification Program.** Federal law requires the Fund to obtain, verify, and record identifying information, which may include the name, residential or business street address, date of birth (for an individual), social security or taxpayer identification number, or other identifying information, for each investor who opens or reopens an account with the Fund. As a result, your broker-dealer may request this information from you. Applications without the required information may be rejected or placed on hold until the Fund verifies the account holder's identity.

The Fund's policies and procedures may be modified or terminated at any time upon notice of material changes to shareholders and prospective investors.

**The accompanying prospectus for a variable annuity or variable life insurance policy describes the allocation, transfer, and withdrawal provisions of such annuity or policy.**

#### **PRICING OF FUND SHARES**

The Fund's NAV is calculated on any day the NYSE is open for trading. The NYSE is open Monday through Friday, but currently is scheduled to be closed on New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day and on the preceding Friday or subsequent Monday when a holiday falls on a Saturday or Sunday, respectively.

The Fund's NAV is determined as of the close of regular trading on the NYSE, normally 4:00 p.m., Eastern Time. The NAV is computed by dividing the value of the Fund's net assets, i.e., the value of its securities and other assets less its liabilities, including expenses payable or accrued but excluding capital stock and surplus, by the total number of its shares outstanding at the time the determination is made. The Fund uses market quotations in valuing its portfolio securities. Securities traded primarily on foreign exchanges are valued at the closing price on such exchange immediately prior to the close of the NYSE. The price of Fund shares for purposes of purchase and redemption orders will be based

upon the calculation of NAV next made as of a time after the time as of which the purchase or redemption order is received in proper form.

Portfolio securities listed or traded on a nationally recognized securities exchange or traded in the U.S. over-the-counter market, for which market quotations are readily available, are valued at the last quoted sale price or a market's official closing price as of the close of business on the day the securities are being valued. If there were no sales that day, the security is valued at the average of the closing bid and asked prices or, if there were no asked prices quoted on that day, then the security is valued at the closing bid price on that day. If no bid or asked prices are quoted on such day, the security is valued at the most recently available price or, if the Board so determines, by such other method as the Board shall determine in good faith to reflect its fair market value. Portfolio securities traded on more than one national securities exchange or market are valued according to the broadest and most representative market, as determined by the Adviser.

Portfolio securities primarily traded on a foreign market are generally valued at the preceding closing values of such securities on the relevant market, but may be fair valued pursuant to procedures established by the Board if market conditions change significantly after the close of the foreign market but prior to the close of business on the day the securities are being valued. Debt instruments with remaining maturities of sixty days or less that are not credit impaired are valued at amortized cost, unless the Board determines such amount does not reflect the securities' fair value, in which case, these securities will be fair valued as determined by the Board. Debt instruments having a maturity greater than sixty days for which market quotations are readily available are valued at the average of the latest bid and asked prices. If there were no asked prices quoted on such day, the security is valued using the closing bid price. U.S. government obligations with maturities greater than sixty days are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields bids, offers, and reference data. Certain securities are valued principally using dealer quotations. Futures contracts are valued at the closing settlement price of the exchange or board of trade on which the applicable contract is traded.

Securities and assets for which market quotations are not readily available are fair valued as determined by the Board. Fair valuation methodologies and procedures may include, but are not limited to: analysis and review of available financial and non-financial information about the company; comparisons with the valuation and changes in valuation of similar securities, including a comparison of foreign securities with the equivalent U.S. dollar value American Depositary Receipt ("ADR") securities at the close of the U.S. exchange; and evaluation of any other information that could be indicative of the value of the security. Fair value represents a good faith approximation of the value of a security. The fair value of one or more securities may not, in retrospect, be the price at which those assets could have been sold during the period in which the particular fair values were used in determining the Fund's NAV. Investors who purchase or redeem Fund shares on days when the Fund is holding fair valued securities may receive a greater or lesser number of shares, or higher or lower redemption proceeds, than they would have received if the Fund had not fair valued the securities.

## **DIVIDENDS, DISTRIBUTIONS, AND TAXES**

The Insurance Companies' separate accounts automatically reinvest, at NAV, any dividends and capital gain distributions paid by the Fund in additional shares of the Fund. There is no fixed dividend rate, and there can be no assurance that the Fund will pay any dividends or realize any capital gains. However, the Fund currently intends to pay dividends and capital gain distributions, if any, on an annual basis. Contractowners who own units in a separate account corresponding to shares in the Fund will be notified when distributions are made.

The Fund will be treated as a separate entity for federal income tax purposes. The Fund has qualified and intends to continue to qualify as a "regulated investment company" under the Internal Revenue Code of 1986, as amended, in order to be relieved of federal income tax on the portion of its net investment income and net realized capital gains that it distributes to separate accounts. To qualify, the Fund must meet certain relatively complex income, distribution, and diversification tests. The loss of such status would result in the Fund being subject to federal income tax on its taxable income and gains.

Federal tax regulations require that mutual funds that are offered through insurance company separate accounts meet certain diversification and investor control requirements to preserve the tax deferral benefits provided by the variable contracts that are offered in connection with such separate accounts. The Adviser intends to diversify the Fund's investments and to comply with applicable investor control rules in accordance with those requirements. If the separate accounts were to fail to meet the investor control requirements or were otherwise to fail to qualify as a regulated investment company for any taxable year, income allocable to the Contracts associated with the separate accounts would be taxable currently to the holders of such Contracts and income from prior periods with respect to such Contracts could also be taxable, most likely in the year of failure.

The Fund's distributions will generally be taxable as ordinary income or long-term capital gains to shareholders who are holding the shares in a taxable account.

Distributions made by the Fund to an insurance company separate account, and exchanges and redemptions of Fund shares made by a separate account, ordinarily do not cause the corresponding contract owners to recognize income or gain for federal income tax purposes.

The prospectuses for the Contracts describe the federal income tax treatment of distributions from such Contracts to Contractowners.

This is only a summary of important federal tax law provisions that can affect the Fund. Other federal, state, or local tax law provisions may also affect the Fund and its operations. Anyone who is considering allocating, transferring, or withdrawing monies held under a Contract to or from the Fund should consult a qualified tax adviser.

## **SPECIAL INFORMATION ABOUT THE FUND**

The Fund offers its shares to both variable annuity and variable life insurance policy separate accounts. The Fund does not anticipate that this arrangement will disadvantage any Contractowners. The Fund's Board monitors events for the existence of any material irreconcilable conflict between or among Contractowners. If a material irreconcilable conflict arises, one or more separate accounts may withdraw their investments in the Fund. This could possibly force the Fund to sell portfolio securities at unfavorable prices. The Insurance Company will bear the

expenses of establishing separate portfolios for variable annuity and variable life insurance separate accounts if such action becomes necessary; however, ongoing expenses that are ultimately borne by Contractowners will likely increase due to the loss of the economies of scale benefits that can be provided to mutual funds with substantial assets.

## FINANCIAL HIGHLIGHTS

The financial highlights table is intended to help you understand the financial performance of the Fund for the past five fiscal years. The total returns in the table represent the rates that an investor would have earned or lost on an investment in the Fund (assuming reinvestment of all distributions). Total returns in the table do not reflect separate account or variable insurance contract fees and charges. If such fees were reflected, total returns would be lower. This information has been audited by Ernst & Young LLP, independent registered public accounting firm, whose report, along with the Fund's financial statements and related notes, are included in the Fund's annual report, which is available upon request.

### Selected data for a share of capital stock outstanding throughout the periods indicated:

	Year Ended December 31,				
	2010	2009	2008	2007	2006
<b>Operating Performance:</b>					
Net asset value, beginning of period	\$14.53	\$10.87	\$18.66	\$18.58	\$17.40
Net investment income(a)	0.07	0.09	0.12	0.10	0.06
Net realized and unrealized gain/(loss) on investments	4.27	3.68	(7.68)	1.61	3.77
Total from investment operations	4.34	3.77	(7.56)	1.71	3.83
<b>Distributions to Shareholders:</b>					
Net investment income	(0.07)	(0.10)	(0.13)	(0.10)	(0.06)
Net realized gain on investments	—	(0.01)	(0.10)	(1.53)	(2.59)
Return of capital	—	(0.00)(d)	—	(0.00)(d)	(0.00)(d)
Total distributions	(0.07)	(0.11)	(0.23)	(1.63)	(2.65)
<b>Net Asset Value, End of Period</b>	<b>\$18.80</b>	<b>\$14.53</b>	<b>\$10.87</b>	<b>\$18.66</b>	<b>\$18.58</b>
<b>Total Return †</b>	<b>29.9%</b>	<b>34.7%</b>	<b>(40.4)%</b>	<b>9.1%</b>	<b>21.9%</b>
<b>Ratios to Average Net Assets and Supplemental Data:</b>					
Net assets, end of period (in 000's)	\$136,306	\$120,365	\$108,863	\$228,944	\$234,414
Ratio of net investment income to average net assets	0.43%	0.72%	0.76%	0.45%	0.28%
Ratio of operating expenses to average net assets(b)(c)	1.18%	1.21%	1.15%	1.10%	1.09%
Portfolio turnover rate ††	10%	12%	11%	24%	40%

† Total return represents aggregate total return of a hypothetical \$1,000 investment at the beginning of the period and sold at the end of the period including reinvestment of distributions.

†† Effective in 2008, a change in accounting policy was adopted with regard to the calculation of the portfolio turnover rate to include cash proceeds due to mergers. Had this policy been adopted retroactively, the portfolio turnover rate for the year ended December 31, 2007 would have been 33%. The portfolio turnover rate for the year ended 2006 would have been as shown.

- (a) Per share amounts have been calculated using the average shares outstanding method for the years ended December 31, 2010, 2009, 2008, and 2007.
- (b) The Fund incurred interest expense during the year ended December 31, 2008. If interest expense had not been incurred, the ratios of operating expenses to average net assets would have been 1.14%. For the years ended December 31, 2010, 2009, and 2006, the effect of interest expense was minimal. For the year ended December 31, 2007, there was no interest expense.
- (c) The ratios include a reduction for custodian fee credits on cash balances maintained with the custodian ("Custodian Fee Credits"). Historically, the ratios reflected operating expenses before the reduction for Custodian Fee Credits. If the ratios did not reflect a reduction for Custodian Fee Credits, the ratios for the year ended December 31, 2006 would have been 1.10%. For the years ended December 31, 2008 and 2007, the effect of Custodian Fee Credits was minimal. For the years ended December 31, 2010 and 2009, there were no Custodian Fee Credits.
- (d) Amount represents less than \$0.005 per share.

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## **GABELLI CAPITAL ASSET FUND**

### **For More Information:**

For more information about the Fund, the following documents are available free upon request:

### **Annual/Semi-annual Reports:**

The Fund's semi-annual and audited annual reports to shareholders contain additional information on the Fund's investments. In the Fund's annual report, you will find a discussion of the market conditions and investment strategies that significantly affected the Fund's performance during its last fiscal year.

### **Statement of Additional Information (SAI):**

The SAI provides more detailed information about the Fund, including its operations and investment policies. It is incorporated by reference, and is legally considered a part of this Prospectus.

You can obtain free copies of these documents and prospectuses of other funds in the Gabelli/GAMCO family, or request other information and discuss your questions about the Fund by mail, toll-free phone, or the internet as follows:

Gabelli Capital Series Funds, Inc.

One Corporate Center

Rye, NY 10580-1422

Telephone: 800-GABELLI (800-422-3554)

[www.gabelli.com/CapitalAssetFund](http://www.gabelli.com/CapitalAssetFund)

You can also review and/or copy the Fund's Prospectus, annual and semi-annual reports, and SAI at the Public Reference Room of the SEC in Washington, D.C. You can get text-only copies:

- For a fee, by electronic request at [publicinfo@sec.gov](mailto:publicinfo@sec.gov), by writing to the Public Reference Section of the SEC, Washington, D.C. 20549-1520, or by calling 202-551-8090.
- For information on the operations of the Public Reference Section please call 202-551-8090.
- Free from the EDGAR Database on the SEC's website at [www.sec.gov](http://www.sec.gov).